Dean of the College of Arts and Sciences and Chair of the Psychology Department, Gallaudet University has thrived under Dr. Jordan's leadership. Gallaudet is the world's only university in which all programs and services are specifically designed for deaf and hard of hearing students. As President, Dr. Jordan dramatically expanded the University's endowment, improved and expanded academic programs, added new facilities, and recruited world-class faculty and administrators.

I got to know Dr. Jordan during the passage of the Americans with Disabilities Act, which was signed into law in 1990. Dr. Jordan was a lead witness during a joint session of Congress and delivered key testimony, which was instrumental to the passage of this landmark civil rights legislation.

Dr. Jordan has never relented in his commitment to improving the lives of people with disabilities. Last year, I was privileged to join Dr. Jordan in receiving the George Bush Medal for the Empowerment of People with Disabilities. That distinguished award is just one of the many that Dr. Jordan has received for his work. His numerous accomplishments and awards include no fewer than eleven honorary degrees, the Washingtonian of the Year, the James L. Fisher Award from the Council for Advancement and Support of Education (CASE), the Larry Stewart Award from the American Psychological Association, the Distinguished Leadership Award from the National Association for Community Leadership, and the U.S. Presidential Citizens Medal.

In 1990, President George Bush appointed Dr. Jordan Vice-Chair of the President's Committee on Employment of People with Disabilities (PCEPD), and in 1993 he was later re-appointed as Vice-Chair by President Clinton of this influential body that made national recommendations on issues of employment.

Dr. Jordan recently announced that he will retire as Gallaudet's first deaf President on December 31, 2006. While the University will be losing a remarkable leader, I know that Dr. Jordan will continue to be a driving force in our community.

Mr. Speaker, I wish to express my deep gratitude to Dr. Jordan on behalf of the millions of individuals he has helped and inspired throughout his career. His tireless efforts have improved not only Gallaudet University, but also our nation and our world. I wish Dr. Jordan the best of luck in his retirement. His leadership and legacy will never be forgotten.

DEFINING PROTECTIONISM DOWN

HON. BARNEY FRANK

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 29, 2006

Mr. FRANK of Massachusetts. Mr. Speaker, one of the most disturbing trends that we have seen recently is that of those who would adopt rules abolishing any restrictions on the untrammelled flow of capital around the world, taking away from countries their sovereign rights to impose restrictions that serve legitimate national interests. This applies both to direct foreign investment, and even more to the notion that short-term purely financial investments must be allowed under any circumstances whatsoever. As Daniel Davies notes in a British newspaper, the Guardian, while it is true that the general rule should be to allow cross-border purchases of companies, "there are, quite feasibly, a lot of uncommon but not impossible situations in which a democratic government might want to pass a law about the operations of a company, and not want to find itself being taken to a WTO tribunal for doing so." He correctly says in closing, "Of course, there is not really all that much to be said for local ownership restrictions in most cases . . . But on the other hand, nor is it 'protectionism.' The case for capital market openness is very much weaker than the case for goods market openness and we should all resist the attempt to define down protectionism."

[From the Guardian, Mar. 20, 2006]

DEFINING PROTECTIONISM DOWN

(By Daniel Davies)

Economic "protectionism" is back in the news with a vengeance, with France objecting to takeovers in the steel sector, Spain putting together national champion utilities and the USA crying blue murder over Dubai Ports World's proposed acquisition of P&O. James Surowiecki had an article in the Saturday Guardian painstakingly setting out the conventional wisdom on this subject (ie, that it's very bad). Trouble is, this isn't really what "protectionism" means.

Basically and historically, "protectionism" (and "mercantilism" and related terms) always used to refer to tariff policy, with respect to goods markets and trade between buyers and sellers. The use of the terms to refer to policies about capital markets and ownership of companies is a new one; I spotted it beginning to arise in the FT and Economist around the beginning of the 1990s and have been writing Mr Angry letters on the subject ever since. Because capital markets "protectionism" is much less bad than the goods market type and might not even be bad at all.

It's easy to explain why tariffs are bad. They're a tax on a particular economic activity—trade. Because of this, they cause people to do things that they wouldn't otherwise do in order to avoid the tariff, or not to do things they otherwise would do because the cost of the tariff means it isn't worth their while. There is a deadweight loss associated with this, and empirically it turns out that this deadweight cost is substantial. That's why tariffs are bad, and why we have a WTO dedicated to removing them.

On the other hand, ownership of a company isn't an economic activity at all (because "ownership" isn't an activity, it's something you can do while sleeping, in a coma or even dead). So it is much harder to see how any deadweight loss can be created by placing taxes or other kinds of barriers on overseas investment in domestic companies. The very fact that James Surowiecki in his article has to appeal to "the discipline of the takeover market on inefficient managements" ought to raise eyebrows here. If there is one thing we do know about the discipline of the stock market, it's that it's a very weak force for good indeed, if it's a force for good at all. And the empirical evidence bears this out as well; while the gains from goods markets liberalisation are big and definitely there, the gains from capital account liberalisation are small and frustratingly difficult to detect, no matter what econometric techniques you bring to bear.

Set against this, there are on occasion quite legitimate reasons why one might want to put curbs on the foreign ownership of domestic industries. Most particularly, you might want to be absolutely sure that you can govern them via domestic national laws. There is a lot of ill-founded paranoia about "multinationals", but it is true that a company with multinational operations has a lot more wriggle room when it comes to regulations it doesn't like. Furthermore, you can keep a lot more control over the tax base, and over things like shipping records and accounts which are usually stored in head office. Even the Thatcher governments recognised this, which is why the government used to have a "golden share" in a lot of privatisation companies. There are, quite feasibly, a lot of uncommon but not impossible situations in which a democratic government might want to pass a law about the operations of a company, and not want to find itself being taken to a WTO tribunal for doing so.

And this is what the root of the problem is, I think. The rise of cross-border ownership of companies has gone hand in hand with the rise of a lot of bogus WTO cases trumped up by multinational companies which don't like the way in which they are being regulated in one of their countries of operation, and have managed to convince someone that it is a restraint of international trade. At about the time that the new usage of the word "protectionism" was being popularised, the international civil service was trying to negotiate something called the Multilateral Agreement on Investment (MAI). If it had been passed, this would have more or less guaranteed to foreign investors in any country that they would be able to carry out business in the same way in which they did in their own country. The fact that this would lead to a lowest-common-denominator effect pretty quickly was, of course, not an unintended consequence—this was the grand high era of neoliberalism, after all. However, more or less for this reason, the MAI was incredibly unpopular (particularly in the USA, where there are all sorts of local regulations and industry sweetheart deals which everyone wanted to preserve) and it died the death of a thousand committees.

Ever since the death of the MAI, global civil servants at places like the EU and the WTO have been trying to resurrect it. They've been doing this, as far as I can see, by attempting to blur the distinction between goods market and capital market protection. I've mentioned that the WTO is chock full of bogus cases where regulations on a local subsidiary of a large company have been portrayed as a restraint of trade, but the EU is if anything worse; the office of Charlie McCreevy and the Single Market Directorate Generale of the EU have a really nasty habit of claiming that the "right of establishment" of the Treaty of Rome gives them the power to force through any cross-border merger in Europe in the face of government opposition. So the linguistic confusion between "protectionism" in the sense of tariffs and "protectionism" in the sense of local ownership restrictions is not really all that innocent.

Of course, there is not really all that much to be said for local ownership restrictions in most cases. If someone wants to buy shares in a company, the fact that he comes from overseas is usually not a very good reason to stop him. But on the other hand, nor is it "protectionism". Even Adam Smith had very different opinions on free trade in goods markets, versus international investment. The case for capital market openness is very much weaker than the case for goods market openness and we should all resist the attempt to define down protectionism.